§ 203.36

as provided by part 200, subpart U, of this chapter.

(Approved by the Office of Management and Budget under control numbers 2502–0059, 2502–0159, and 2502–0268)

[54 FR 39693, Sept. 27, 1989]

§ 203.36 [Reserved]

ELIGIBLE PROPERTIES

§ 203.37 Nature of title to realty.

A mortgage, to be eligible for insurance, must be on real estate held in fee simple, or on leasehold under a lease for not less than 99 years which is renewable, or under a lease having a period of not less than 10 years to run beyond the maturity date of the mortgage.

[49 FR 21319, May 21, 1984]

§ 203.37a Sale of property.

- (a) Sale by owner of record—(1) Owner of record requirement. To be eligible for a mortgage insured by FHA, the property must be purchased from the owner of record and the transaction may not involve any sale or assignment of the sales contract.
- (2) Supporting documentation. The mortgagee shall obtain documentation verifying that the seller is the owner of record and must submit this documentation to HUD as part of the application for mortgage insurance, in accordance with §203.255(b)(12). This documentation may include, but is not limited to, a property sales history report, a copy of the recorded deed from the seller, or other documentation (such as a copy of a property tax bill, title commitment, or binder) demonstrating the seller's ownership.
- (b) Time restrictions on re-sales—(1) General. The eligibility of a property for a mortgage insured by FHA is dependent on the time that has elapsed between the date the seller acquired the property (based upon the date of settlement) and the date of execution of the sales contract that will result in the FHA mortgage insurance (the resale date). The mortgage shall obtain documentation verifying compliance with the time restrictions described in this paragraph and must submit this documentation to HUD as part of the

application for mortgage insurance, in accordance with §203.255(b).

- (2) Re-sales occurring 90 days or less following acquisition. If the re-sale date is 90 days or less following the date of acquisition by the seller, the property is not eligible for a mortgage to be insured by FHA.
- (3) Re-sales occurring between 91 days and 180 days following acquisition. (i) If the re-sale date is between 91 days and 180 days following acquisition by the seller, the property is generally eligible for a mortgage insured by FHA.
- (ii) However, HUD will require that the mortgagee obtain additional documentation if the re-sale price is 100 percent over the purchase price. Such documentation must include an appraisal from another appraiser. The mortgagee may also document its loan file to support the increased value by establishing that the increased value results from the rehabilitation of the property.
- (iii) HUD may revise the level at which additional documentation is required under §203.37a(b)(3) at 50 to 150 percent over the original purchase price. HUD will revise this level by FEDERAL REGISTER notice with a 30 day delayed effective date.
- (4) Authority to address property flipping for re-sales occurring between 91 days and 12 months following acquisition.
 (i) If the re-sale date is more than 90 days after the date of acquisition by the seller, but before the end of the twelfth month after the date of acquisition, the property is eligible for a mortgage to be insured by FHA.
- (ii) However, HUD may require that the lender provide additional documentation to support the re-sale value of the property if the re-sale price is 5 percent or greater than the lowest sales price of the property during the preceding 12 months (as evidenced by the contract of sale). At HUD's discretion, such documentation must include, but is not limited to, an appraisal from another appraiser. HUD may exclude re-sales of less than a specific dollar amount from the additional value documentation requirements.
- (iii) If the additional value documentation supports a value of the property that is more than 5 percent lower than the value supported by the first appraisal, the lower value will be used